

Press Release

Wednesday 17 November 2010

£1.9 BILLION TENDER ROUND FOR TRANSMISSION LINKS TO OFFSHORE WINDFARMS LAUNCHED BY OFGEM

- **Transmission links to 2.8 GW of offshore windfarms to be put out to competitive tender**
- **Winning tenders for the first links will be announced in summer 2011**
- **First tender round for £1.1 billion of links attracted almost £4 billion of investment appetite and delivered savings of around £350 million**

Ofgem today launched the second tender round for high-voltage transmission links worth around £1.9 billion for six offshore wind projects at an Ofgem conference for investors and wind farm developers, attended by the Energy Minister Charles Hendry MP from the Department of Energy and Climate Change (DECC).

This is the second tender round in the offshore transmission regime, which is a joint policy initiative between DECC and Ofgem, to encourage cost-effective investment in the vital network links between the offshore windfarms and the mainland grid.

Companies will be competing for the right to own and operate the links to 2.8 GW of offshore wind farms for the next 20 years. So far competition has been fierce, with almost £4 billion of investment appetite chasing the £1.1 billion of transmission links in the first tender round announced in August this year.

Charles Hendry, Minister of State for Energy said:

"We have 40% of Europe's wind and we have 11,000 km of coastline. We ought to be using those resources for our future energy security, but to do this we need to get the investment in the infrastructure that will make this happen.

"I hope the second round of tendering for owning and operating the links to offshore wind farms will be as successful as the first, where investment interest was four times the necessary level. This competition also means savings for generators and consumers, which I very much welcome".

Competition ensures that the cost of the links is kept as low as possible for the generators and ultimately consumers. It is expected that some £350m of savings will be made from the first round of tenders and Ofgem sees no reason why this trend will not continue going forward with future rounds.

Ofgem's Chief Executive Alistair Buchanan, said: "Britain needs to attract **£200 billion** of investment in its energy industry over the next 10 years - £20 billion will be for

offshore transmission links. Therefore it is very encouraging that we have seen such strong competition for the first round of transmission links.

"This looks set to continue for the second round and healthy competition will keep the costs of the links as low as possible and give generators confidence that the offshore regime is proving very attractive to investors and is bringing new players into the UK transmission market."

Tenders for the first three projects, Gwynt-y-Mor, Lincs and London Array, started today. Tenders for the other three, Humber Gateway, Race Bank and West of Duddon Sands, are expected to start in Spring 2012 once they have met the necessary qualifying requirements (see map below).

Notes to editors

1. Offshore connections

The offshore regulatory regime for licensing offshore electricity transmission, introduced in 2009, uses competitive tendering to ensure the cable connections are delivered on time and at reasonable cost.

The first phase of the project involves two transitional tender rounds and opens the way for transmission licensees to own and operate transmission assets for offshore renewable projects which have been or are being constructed by the offshore generator.

Subsequent tenders will be known as the enduring regime. DECC and Ofgem recently confirmed the decision to introduce flexibility into the enduring regime. This would allow developers the choice of seeking offshore transmission licensees, following tender processes run by Ofgem, to take on responsibility for either:

- the ongoing finance, operation and maintenance of transmission links designed and built by the generator developer and transferred to the operator upon completion of construction; or
- the design, construction, finance and on-going operation and maintenance of the transmission links.

DECC and Ofgem are currently consulting on the detailed implementation proposals to support the introduction of this flexibility.

For more information see Factsheet *"Networks for offshore wind power – regulating for sound investment"*, available from the Ofgem website at www.ofgem.gov.uk.

2) Ofgem E-Serve

To reflect the importance of sustainability and the low carbon agenda, the Ofgem Group is made up of two Business Units: **Ofgem**, the regulator, and **Ofgem E-Serve**, its delivery arm.

Ofgem E-Serve focuses on administering environmental programmes such as the Renewables Obligation, Carbon Emission Reduction Target, Community Energy Saving Programme, the Feed-in-Tariffs scheme for microgeneration and the Climate Change Levy exemption for renewables. It also manages the delivery of sustainability projects such as offshore transmission connections.

For further press information contact:

Mark Wiltsher 020 7901 7006 / 07879 602 838

Alison Wright 020 7901 7217 / 07711 167 620

Offshore wind farms for the second tender round

